

Transport and Environment Committee

10.00am, Thursday, 1 February 2024

Procurement of the Decriminalised Parking Enforcement Contract

Executive/routine
Wards

Routine
All

1. Recommendations

- 1.1 It is recommended that Committee notes:
 - 1.1.1 That the insourcing of Decriminalised Parking Enforcement (DPE) services has been assessed against the current provision. The outcome of this analysis is summarised in Appendix 1;
 - 1.1.2 Following the conclusion of the insourcing assessment, the British Parking Association (BPA) Model Contract has been identified as the Council's preferred contract model for the next DPE contract due to its transparency and the partnership approach that it promotes;
 - 1.1.3 The output-based approach that has been used to develop the Council's contract specification and the tender evaluation process that will ensure the Council obtains best value from this contract tender process; and
 - 1.1.4 That future updates on the contract award will be presented to Finance and Resources Committee, in line with Council Contract Standing Orders.

Paul Lawrence

Executive Director of Place

Contact: Gavin Brown, Head of Network Management and Enforcement

E-mail: gavin.brown@edinburgh.gov.uk | Tel: 0131 469 3823

Procurement of the Decriminalised Parking Enforcement Contract

2. Executive Summary

- 2.1 The Council's current contract for the provision of Decriminalised Parking Enforcement (DPE) services is due to expire in October 2024.
- 2.2 This report provides an update on the work undertaken to consider how these services can continue to be delivered in the most cost-effective manner and provides details on the outcome of this work and the recommended contracting approach to ensure best value for the Council and for residents and businesses in Edinburgh.

3. Background

- 3.1 The Council has outsourced most of its parking services since it started operating DPE in 1998.
- 3.2 The main aim of DPE is to ensure compliance with the parking regulations. Delivering efficient parking enforcement services influences driver behaviour, maintains road safety and ensures that Council transport policies are implemented correctly.
- 3.3 Whilst, at an operational level, the responsibility to employ, train and manage Parking Attendants and provide IT software (such as notice processing and permit systems) has always been outsourced, the Council retains ownership of all transport and parking related policies.
- 3.4 The Council also retains ownership and delivery of numerous contract management functions, traffic orders, Electric Vehicle charging infrastructure, the introduction of new parking controls and decision-making on all penalty charge challenges and appeals in-house.
- 3.5 The contract governance arrangements are robust, with targeted Key Performance Indicators (KPIs) and associated performance related payments enabling the Council to ensure that the contract is being administered and operated appropriately.

- 3.6 The value of DPE services in Edinburgh is significant and all of the annual revenue surplus from DPE operations is ringfenced by legislation for use on transport projects and improvements across the city, providing a significant portion of the Council's annual transport revenue budget each year.
- 3.7 Further information regarding the projected revenue and expenditure associated with the DPE contract operations in 2023/24 is provided in the table below:

Cost/Income Stream	Approximate value per annum £m
Total Contract Costs	-7.8
Parking Charge Notice (PCN) Income	7.8
Bus Lane Charge Notice (BLCN) Income	1.8
Car Pound Income	0.36
Parking Permit Income	6
Pay and Display Income	22
Collaborative Partner Income	0.2
Other Parking Income	1
Net Income	31.36

4. Main report

- 4.1 The Council's current contract for the provision of DPE services is due to expire in October 2024.
- 4.2 In advance of this contract end, Council officers have been considering how the Council's DPE services can continue to be delivered in the most cost-effective manner.
- 4.3 Officers have reviewed case studies, benchmarked with other Councils, and undertaken significant market research in order to consider the Council's options for the future delivery of DPE services. In addition, a review of similar procurement specifications from other Councils, market testing activities with other Councils and suppliers, and formal Commercial and Procurement Service (CPS) led supplier engagement sessions have all been undertaken.

Insourcing of Services

- 4.4 Detailed consideration has been given to insourcing operations, making the Council responsible for the employment of Parking Attendants and the management of all associated services.
- 4.5 Given the significant value of this contract to the Council, both in terms of expenditure and income, officers have reviewed the current contract pricing schedule to compare the cost differences between the business-as-usual approach of contracting the services to an external supplier and the projected costs of the Council employing operational resources and contracting/managing all of the required services directly.
- 4.6 The cost variations identified as part of this analysis have been considered under four main categories: Annual Running Costs, Productivity and Revenue, Collaboration and Set-up Costs. Further details are provided in Appendix 1.
- 4.7 Officers have also considered that many of the services delivered through the contract are dependent on external suppliers, such as the RingGo cashless parking service and the various software packages that are used by the parking and traffic regulation team.
- 4.8 It is considered that insourcing of services would significantly increase the Council's annual operating costs by approximately £1.35m per year. Based on benchmarking, as outlined in Appendix 1, it is possible that the insourcing of services could adversely affect overall productivity levels, particularly if additional resources were not recruited to maintain current deployment levels.
- 4.9 It is also projected that over £0.2m of income per year could be lost from the existing collaborative partner arrangements, which are enabled through the current DPE contract arrangements, and it is anticipated that there would be significant one-off set-up costs associated with the transition to in-house delivery of services of c. £0.495m.
- 4.10 Given the projections utilised (which are moderate) it is not recommended to insource the current DPE contract as the financial impact would not deliver best value and insourcing is not considered economically advantageous in the current financial climate.

British Parking Association (BPA) Model Contract

- 4.11 The DPE contract currently used by the Council is based on the BPA's Model Contract, which is endorsed by the Department for Transport. The Council was one of the early adopters of this contract, having originally worked very closely with the BPA in its initial development.
- 4.12 The BPA Model Contract is used widely across the parking industry and ensures that all contract costs are managed using an open-book approach, meaning Service Providers are paid only the costs incurred in delivering the services. There are no hidden charges to the Council and the contract allows for a full audit and review of Service Provider's expenditure at the end of each contract year.

- 4.13 Any potential profit is pre-defined in advance of each contract year and awarded through performance related payments which rely on successful attainment of a comprehensive suite of qualitative KPIs.
- 4.14 The BPA Model Contract has been developed to foster a partnership approach between individual Councils and their Service Provider, encouraging efficiencies and including the flexibility to allow for any contract variations or changes to be made in a timely manner.

Future Approach

- 4.15 The BPA Model Contract has been identified as the preferred option for the continued delivery of the Council's contracted DPE services. Officers have worked to ensure that the BPA Model Contract has been modified and updated to reflect the Council's preferred terms and conditions and to meet the Council's overall strategic commercial requirements.

Output Based Specification

- 4.16 The Council's DPE contract covers multiple services across the parking and traffic regulation service area and impacts directly on service delivery. A summary of all of the elements included as part of the Specification is included as Appendix 2.
- 4.17 Rather than specify how the required services are to be delivered, the Council's Specification takes an output-based approach, detailing the key outcomes that must be achieved by Service Providers for each of the defined services. This would include the provision of key enforcement services, such as the enforcement of main traffic routes and schools at the appropriate times and the ability to react to quickly to requests for enforcement.
- 4.18 The BPA Model Contract requires the Service Providers who bid to provide a detailed Contract Plan as part of their tender submission. This Contract Plan outlines how Service Providers propose to deliver each service and details the equipment, materials and resources that they will need to deliver all of the Council's required outcomes.
- 4.19 To take the specific example of car pound services (in addition to the set requirements for daily vehicle removals) such as operating times and health and safety obligations, the Specification requires the Service Provider to provide detail within their Contract Plan on how they propose to deal with vehicles obstructing the Tram tracks in a timely manner.
- 4.20 The Specification also asks prospective Service Providers to outline how they might incorporate devolved powers from the Driver and Vehicle Licensing Agency (DVLA) into the car pound services in Edinburgh, allowing for the removal of untaxed vehicles, whilst also maintaining a responsive and efficient DPE vehicle removal service across the city.
- 4.21 This output-based approach to the specification not only outlines what is required by the Council, but also puts the onus on Service Providers to consider how they can provide the required services in the most cost effective and efficient manner,

allowing them to propose their own solutions and innovations for future service delivery where appropriate.

- 4.22 Every Service Provider who bids for this contract will also be required to submit a comprehensive Target Cost Schedule as part of their tender submission and Contract Plan, which provides a detailed cost breakdown covering all of the proposed services.
- 4.23 A robust suite of associated KPIs linked directly to the deliverable outcomes of the Specification/Contract Plan, determining the level of performance related payments (and thereby profit) available to the Service Provider, will be effectively monitored and managed by the Parking team's contract management team. This not only ensures that good contract performance is rewarded, but also that performance payments are withheld or reduced where Service Providers do not perform to the expected levels.
- 4.24 The KPI measures will become more challenging as the contract matures, ensuring that the Service Provider is required to continually improve performance throughout the contract term. The KPIs will also be subject to change, allowing the Council to remove or amend KPIs, or introduce new KPIs, as may be required to reflect changing service or contract priorities.
- 4.25 Officers have been working closely with current and prospective collaborative Local Authority partners to ensure that their service needs are covered by the Contract Specification, which has also been future proofed to consider how services or contract requirements may change over the term of the contract.
- 4.26 This is important as many Councils across Scotland are currently looking to introduce or outsource DPE operations and the Council has recently received two new notes of interest from Councils who may be interested in joining a future contract.

Tender Evaluation Process

- 4.27 A robust Tender Evaluation Process has been put in place by CPS and it is intended to evaluate the quality and pricing elements of the contract separately, as is usually the case for contracts of this scale and complexity.
- 4.28 The quality element of the contract will involve a full evaluation of each tenderers' Contract Plan and their responses to specific quality evaluation questions, all of which have been developed in collaboration with CPS and other relevant stakeholders. This element of the tender will be evaluated by officers responsible for the delivery of these services.
- 4.29 The pricing element of the contract will be evaluated by officers from CPS and Finance, to ensure that the quality and pricing elements are considered separately.
- 4.30 The scoring for the quality and pricing elements of each tender submission will then be combined to select the winning tender bid, which will be reported to the Finance and Resources Committee for approval in June 2024, as per the Council's Contract Standing Orders.

5. Next Steps

- 5.1 As noted above, the current DPE contract is due to expire at the start of October 2024.
- 5.2 In order to ensure that a new contract is in place in time for October 2024, the proposed timetable for the DPE contract tender process is outlined in the table below:

Action	Proposed
Publish Tender	February 2024
Tender Evaluation	March – April 2024
F&R Committee	25 June 2024
Contract Award	June 2024
Contract Start	July 2024
Implementation	July – September 2024
Services Commence	1 October 2024

- 5.3 It would not be possible to deliver an insourced service in the timescales detailed above. Should an insourced service be considered further, the Council would need to extend the existing contractual arrangement for a period of at least 12 months. This would require renegotiation of the existing Contract's Target Cost Schedule and agreements with third party suppliers. Given the timescales involved and necessity of the service the service provider would be in a position of significant strength in any negotiation process.

6. Financial impact

- 6.1 The current annual income and expenditure for the DPE contract is outlined in paragraph 3.7.
- 6.2 The recommended procurement route, utilising an outsourced expert Service Provider and use of the BPA Model Contract, is expected to deliver efficiencies and be economically advantageous for the Council, residents and collaborative partner authorities.
- 6.3 All costs associated with the contact tender will continue to be met from existing transport revenue budget.
- 6.4 Future reports will be submitted to the Finance and Resources Committee in relation to the contact award and all associated financial implications, once this information is known.

7. Equality and Poverty Impact

- 7.1 All of the Integrated Impact Assessments relating to the Council's Parking Action Plan and associated projects, all supported by the DPE contract, can be found on the Council's [website](#).

8. Climate and Nature Emergency Implications

- 8.1 As a public body, the Council has statutory duties relating to climate emissions and biodiversity. The Council
- “must, in exercising its functions, act in the way best calculated to contribute to the delivery of emissions reduction targets”
- (Climate Change (Emissions Reductions Targets) (Scotland) Act 2019), and
- “in exercising any functions, to further the conservation of biodiversity so far as it is consistent with the proper exercise of those functions”
- (Nature Conservation (Scotland) Act 2004)
- 8.2 The City of Edinburgh Council declared a Climate Emergency in 2019 and committed to work towards a target of net zero emissions by 2030 for both city and corporate emissions and embedded this as a core priority of the Council Business Plan 2023-27. The Council also declared a Nature Emergency in 2023.

Environmental Impacts

- 8.3 The procurement of a new DPE Contract will have a positive impact on the climate and will be fully supportive of the Council's City Mobility Plan objectives and Net Zero ambitions.

9. Risk, policy, compliance, governance and community impact

- 9.1 The Main Report section explains the key risk, policy, governance and compliance aspects associated with the procurement of a new DPE contract.
- 9.2 The approach taken to considering the future service delivery of DPE in Edinburgh included case studies, benchmarking with other Councils, significant market research, a review of similar procurement specifications from other Councils, market testing activities with other Councils and suppliers, and formal Commercial and Procurement Service (CPS) led supplier engagement sessions.
- 9.3 The potential for insourcing of DPE was also considered, with the details summarised in Appendix 1. As noted in paragraph 5.3, if insourcing is to be further considered, it would not be possible to have a solution in place by the time the current contract expires. Therefore an extension period would be required to enable all of the necessary arrangements to be put in place.

10. Background reading/external references

10.1 None.

11. Appendices

Appendix 1 – Insourcing of Services

Appendix 2 – DPE Specification Summary

Appendix 1 – Insourcing of Services

- 1.1 Officers have reviewed the current contract pricing schedule to compare the cost differences between the contracting approach with the projected costs of the Council employing operational staff resources and contracting/managing all of the required services directly.
- 1.2 The cost variations identified as part of this analysis have been considered under four main categories: Annual Running Costs, Productivity and Revenue and Collaboration and Set-up Costs.

Annual Running Costs

- 1.3 Approximately 65% of the Council's c.£7.8m annual DPE contract expenditure relates directly to employment costs, with all c.170 staff being employed locally and working directly for the Edinburgh contract.
- 1.4 Employing similar numbers of staff on public sector terms and conditions and aligning the private sector salaries within the Council's current wage structure will increase costs significantly. A shorter working week, enhanced holiday allowances and further sickness benefits would also likely necessitate higher staffing numbers to maintain current deployment and service levels, increasing costs further.
- 1.5 It is projected that the additional cost to the Council of employing the same number of people to match the current employment levels would be approximately £0.750m per annum. This figure comprises the projected increase in salary costs and associated pension and national insurance contributions but does not include any additional resources that may be required to maintain current deployment and service levels.
- 1.6 The cost of employing additional parking attendants to maintain current coverage and deployment levels is projected at an additional £0.4m per (based on the change in contracted hours from 40 hours to 36 hours per week (a reduction of 10%)). This figure does not include any additional resource which may be required to cover additional holiday and sickness absence.
- 1.7 Other contract costs relate to the provision of premises, vehicles, equipment and materials. Numerous software systems and services are also provided through the current DPE contract, all of which are currently managed by the current provider (NSL) on behalf of the Council.
- 1.8 Whilst the Council could procure and manage many of these services directly, the costs would be significantly higher due to the Council having lower buying power and significantly reduced economies of scale than a Service Provider operating on a national basis.
- 1.9 The relationships that the Service Providers have in place across the DPE supply chain also make it easier for them to manage the integration of the many different

software systems and numerous suppliers that are required for the delivery of all of the DPE services.

- 1.10 Based on the benchmarking and market research undertaken, it is conservatively projected that the additional cost to the Council of procuring and managing all of the requisite services independently would be over £0.2m per annum.
- 1.11 It is therefore projected that the total annual running costs would increase by approximately £1.35m per year.

Productivity and Revenue

- 1.12 The role of a parking attendant can be challenging, particularly when considering the physical nature of the job and the long distances that can be walked each day.
- 1.13 Benchmarking and market research have confirmed that the private sector has the required management and support structures in place to maximise the motivation and productivity of parking attendants. Indeed, when some Councils have outsourced their services to private sector companies, an increase in productivity of up to 30% has been observed from deployment of the same staff.
- 1.14 Due to the necessarily robust recruitment policies that the Council operates, it is not always possible to be as agile as private sector organisations when rapid recruitment is required, or a workforce needs to flex to reflect changing demands.
- 1.15 Based on the case studies and benchmarking undertaken, the conclusion reached is that bringing the service in-house would see a reduction in overall deployment and productivity and consequently in the number of parking tickets issued each year.
- 1.16 A reduction in productivity of only 10% would equate to a reduction in PCN revenue of around £0.8m per year, based on the projected 2023/24 PCN issue levels. This figure could be considerably higher without an increase in resources to offset the reduction in contracted hours and enhanced holiday and sickness allowances.
- 1.17 The figure above does not take into account any potential losses that may be incurred from pay and display and permit revenue should there be a reduction in deployment or productivity levels.

Collaboration

- 1.18 The current DPE contract was developed to foster collaborative working and shared services across Scotland, allowing partner Authorities to procure services from the contract upon payment of a fee to the Council.
- 1.19 The Council is able to assist and collaborate with Councils at all stages of the DPE process, including those with an existing DPE service, where there may be scope for shared services and efficiency savings.
- 1.20 The Council currently works collaboratively with three Local Authorities (East Lothian Council, Midlothian Council and the Highland Council), with many others

also having shown an interest in joining a possible future contract to share services, benefit from economies of scale and produce savings. This allows Edinburgh to benefit from greater economies of scale and drive down prices with suppliers, who know they may have access to work with additional partners.

- 1.21 As part of this arrangement, the Council also provides general support and back-office processing services to each of the current collaborative partners, receiving an annual income based on the number of parking tickets that each authority issues. The revenue to the Council from these arrangements currently exceeds £0.2m per annum.
- 1.22 The insourcing of DPE services is likely to mean that the Council will be unable to continue working with, and supporting, any collaborative partners due to the inability to manage integrations across the different supply chain arrangements.
- 1.23 The Council has recently received two new notes of interest from Councils who may be interested in joining a future contract. With the introduction of new footway parking legislation now placing a duty on all Scottish local authorities to manage and possibly enforce such parking in their areas, there is likely to be a further increase in demand for services from Councils currently without DPE. This presents a further opportunity for Edinburgh to support and collaborate with other authorities.

Set-up Costs

- 1.24 In addition to the ongoing cost and revenue impacts that have been projected, the insourcing of services is likely to need significant additional project management and consultancy support to help manage the process of bringing services back in-house, as well as significant HR support to negotiate TUPE terms and define the HR conditions for new Council roles of employment.
- 1.25 Significant investment will also be required for equipment and materials and to support the set-up, migration and integration of IT services onto the Council's Information Communications Technology (ICT) network. Projected set-up costs for the insourcing of DPE services are provided in the table below.

Area	Value £m
Consultancy / Project / HR support	0.150
DPE Equipment	0.150
IT Hosting/Integration	0.150
Contingency (10%)	0.045
Total	0.495

Conclusion

- 1.26 The cost projections used for in-house services in this report are considered to be moderate, however it is still anticipated that the insourcing of services would result in an overall budget deficit of £2.85m in the first year and 2.35m per annum thereafter in comparison to current expenditure and revenue levels. This is detailed in the table below:

	Year 1 Cost £m	Year 2+ Cost £m
Initial setup	0.495	
Annual Running	1.350	1.350
Productivity	0.8	0.8
Collaboration	0.2	0.2
Total	2.845	2.350

- 1.27 It is not recommended to insource the current DPE contract based on the projections provided above. The financial impact would not deliver best value for Edinburgh and its citizens and insourcing is not considered economically viable or advantageous.

Appendix 2 – DPE Specification Summary

1. **General Services** – these general functions can apply across the whole Specification and all elements of the contract which includes, but is not limited to:
 - Responsibilities for: providing operational bases and managing facilities (cleaning, waste disposal, safety, security, etc), vehicles (mopeds, vans and trucks) and ensuring all assets and operations have relevant insurance in place.
 - Management functions: Health and Safety, HR, staff training, management of relevant sub-contractors and business continuity planning.
 - Equipment: uniforms including Personal Protective Equipment, voice communications, hand-held terminals including printers/cameras, Personal Computers/Laptops, internet communications, telecoms and office-based requirements e.g. furniture.
 - IT: notice processing and permit management systems, correspondence and workflow management, the integration of all systems, IT support functions, IT security as well as making services available online for customers.
 - Reporting: provide relevant management information and any ad hoc reports as requested by the Council.
2. **On Street Enforcement Services** – this includes the recruitment and daily management of Parking Attendants to monitor and enforce the on-street parking regulations in line with the Council's requirements which will include particular focus on providing for road safety. This also includes all necessary associated support staff roles on the Contract, such as: management, IT, training, cash collections and lines and signs maintenance staff. There are currently approximately 170 people directly employed as part of this Contract.
3. **Car Pound Services** – Managing the car pound site, its fleet of trucks and their operations when: impounding incorrectly parked vehicles (with a specific focus on removing vehicles from tram lines), relocating vehicles from street to street, clamping vehicles, storing vehicles and disposing of those that remain unclaimed. Maintaining a public facing front-counter service for customers collecting their vehicles, but also for business parking permit and payment services functions.
4. **Bus Lane Camera Enforcement Services** – provision, installation and maintenance of all relevant hardware along with the provision of software capable of evidence review, processing cases to notice phase and making evidence available for public review.
5. **Pay And Display Services** – Ticket Machine management and cash collection, counting, reconciliation, processing and banking of cash all taking place in a secure location for as long as it is required by the Council. Fault management, repairs, replenishment of voucher stock and cleaning of on-street machines. Procurement of new contactless ticket machines, payment processing and communications with all machines. Ticket machine moves. Tariff management and price changes.

6. **Cashless Parking Solution** – provision and management of a cashless parking payment service, currently RingGo.
7. **Suspension and Dispensation Services** – suspension of parking places for operations such as house removals, dispensations for loading and unloading activities, cones and board stock management, IT management systems and payment processing.
8. **Lines and Signs Maintenance Services** - design, maintenance and installation of all parking lines, bay markings and signs within Edinburgh, including new Controlled Parking Zones. Sign and line fault identification, management systems and rectification. Registration of works as required with Scottish Road Works Register.
9. **Permit Management Solution** – IT solution to manage various types of parking permit in Edinburgh, verifying applicant eligibility, charge appropriate prices in accordance with the Council's business rules, processing payments/refunds and integration with on-street IT systems to allow Parking Attendants to check live electronic permit records. Allowing new applications and renewals, issuing expiry reminders, processing change of vehicle or address for customers, easily online.
10. **Back Office Support Services** – document and correspondence scanning, postal payment processing, telephone and online payment processing, providing stationery for the printing and postage of statutory documents and financial reporting and processing of all parking related payments.
11. **Notice Processing Solution** – provision of an IT system that processes and manages penalty charges and bus lane charges from issue, challenge, appeals, escalation, statutory documents through to cancellation, payment or debt recovery, all in accordance with relevant legislation, Regulations and/or Guidance. Management of user accounts, functions and permission levels. This will also have letter writing capability to allow correspondence to be answered by post or online, while including photograph or video evidence of contraventions.
12. **Traffic Order Support Services** – delivery and hosting of a proven and effective online map-based Traffic Regulation Order (TRO) management system, to allow the Council to initiate, process, amend and make relevant TROs in Edinburgh. This should be easy to use, accessible and include outputs for public inspection.
13. **Parking and Project Consultancy Services** – technical consultancy services for assistance with the investigation, development and implementation of new parking projects and services.